MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

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FINAL EXAMINATION

TRIMESTER 2, 2017/2018

BMR3154 – BUSINESS TO BUSINESS MARKETING

(All Sections / Groups)

5 MARCH 2018
2.30pm – 4.30pm
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 4 pages with 4 questions excluding the cover page.

2. There are two sections in this question paper:
   Section A: TWO (2) case questions. Attempt **ALL** questions.
   Section B: TWO (2) structured questions. Attempt **ALL** questions.

3. Please write your answers in the Answer Booklet provided.

SECTION A: Case Questions [50 Marks]
Answer Question 1 and 2 based on the case below. Attempt ALL questions.

Honeywell Building Solutions

Honeywell Building Solutions (HBS) provides building automation, security, fire and life safety solutions and services to public and private sector facilities. HBS is a US$ 75 billion global leader in energy services, helping organizations conserve energy, optimize building operations, and leverage renewable energy sources. HBS has extensive Asian operations including China, Indonesia, Korea, Malaysia, Singapore, Taiwan, Thailand, and Vietnam. In China, HSB has invested more than US$ 1 billion and has 12,000 employees. HBS has a storied history as a Honeywell business unit. Chances that when you adjust your heat or air conditioning at home or in the office, you are using a Honeywell product.

HBS addresses three market segments for commercial buildings:

- Installation. Mostly for new buildings where the decision making unit frequently includes owners, architects, and mechanical and electrical contractor.
- Service. Making sure that customer installations and equipment perform optimally.
- Energy. Retrofitting current buildings to improve energy efficiency. HBS acts as project designer and general contractor, but most work is sub-contracted.

Following months of turmoil during the expected GE acquisition (which failed after European Commission refused in year 2001), HBS did not perform well. Their sales declined 20 percent annually. In an attempt to save the business, HBS appointed a new leadership team including a President and VPs of operations, marketing, and sales. Kevin Madden became worldwide VP of Sales. This new leadership team was given 90 days to develop a turnaround plan, and to "get rid of their ancestors"- the cause of poor performance.

Kevin Madden, a 20-year Honeywell veteran, described the situation he inherited. "Not only were sales declining, internally a victim mentality was pervasive. Because of the turmoil, almost 40 percent of the intellectual capital had left and the business unit was in a tailspin. The entire organizational focus was on productivity and cost, and most sales were to current HBS customers; we are securing a minimal number of customers. We had dismantled most of the sales team that focused on the installations of our systems. HBS had outsourced this activity to transaction-oriented partners who had little interest in building deep relationships or delivering complete solutions. Quite frankly, customers had lost confidence in HBS to do an installation and we no longer had any competitive advantage."

Madden said that energy and many installation projects were make businesses. Sales reps had to be proactive in getting in front of customers and write specifications. But that was not happening for several reasons:

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- HBS had lost many of its good salespeople
- Current salespeople were generalists; they sold in all three lines of business. Yet the nature of the challenges and the skills required tended to be quite different by market segment.
- The first-line sales leaders' span of control average 25 to 1. They were too preoccupied with the administrative tasks, and gave little guidance and coaching to salespeople.

Madden said the turnaround plan focused on five key areas:

- Marketing and sales alignment. Marketing and sales became tightly integrated. The sales force not only agreed on all new marketing initiatives, but often stimulated new ideas.
- Customer coverage model. When Madden arrived, the Americas region had 192 generalist salespeople. Seven years later, it had over 400 salespeople, many hired from competitors with the challenge to be part of the build, focused in individual market areas. Many new salespeople displaced outsourced partners as HBS returned to the installation marketplace.
- Sales planning. The five-stages sales process of HBS's playbook was tightly linked:
    - First calls. The salesperson figures out the customer's decision making unit, what needs to be done, and secures agreement to develop a list of requirements.
    - Requirement definition. The salesperson prepares the list of requirements- technical, financial, legal- and gets the customers to agree.
    - Commitment. The salesperson identifies HBS resources meeting customer requirements, and get agreement from the customer.
    - Solution development. The salesperson brings in Honeywell engineers to design the installation.
    - Final negotiation. The customer and HBS sign the contract.
- Roles and responsibilities. HBS reduced first-line sales manager spans from 25 to 1, to an average 10 to 1, to increase salesperson coaching.
- Performance management. HBS implemented a rigorous performance measurement system and pays for results. Base pay is comparable to competition, and HBS designs incentive compensation and rewards to be among the most lucrative in the industry.

Since the new leadership team took over, sales have turned around. HBS is now a multi-billion-dollar business and a strong member of Honeywell portfolio. The renewed HBS has beaten the industry 4 to 5 percent growth rate every year. Sales growth rate have ranged from 6 percent to 30 percent, doubling the business.

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QUESTION 1

According to Madden, energy and installation projects were profitable businesses but HBS had outsourced these activity to transaction-oriented partners who had little interest in building deep relationships or delivering complete solutions. This caused their customers to lose confidence in HBS to do an installation.

a) Discuss the THREE (3) relationship types in general B2B context. Suggest and justify the type of relationship that suits to HBS and their customers in commercial buildings business. (15 marks)

b) Discuss how HBS can manage the relationship bandwidth strategies with their customers in energy and installation business through flaring out by augmentation and creating flexible service offerings. (10 marks)

(Total: 25 marks)

QUESTION 2

HBS addressed three market segments for commercial buildings and emphasized the profitability of energy and installation projects. Sales reps had to be proactive in getting in front of customers to secure these projects. However, HBS had lost many of its good salespeople and most current salespeople were generalists.

a) Differentiate macro-level and micro-level segmentation in B2B context. Discuss and justify ONE (1) micro-level base of segmentation applied by HBS for commercial buildings market. (10 marks)

b) Individuals ultimately make decisions, and HBS's salespeople need to focus on different personalities, experiences, and perceptions of the client's employees involved in purchasing. Discuss the roles played by members in buying center of HBS's client company. (15 marks)

(Total: 25 marks)

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SECTION B: Structured Questions [50 Marks]
Attempt ALL questions.

QUESTION 3

Unlike B2C, business market products are complex, technical, detailed specifications, and usually accompanied with bundle of important services, where close working relationships is fundamental to interact in product design and problem solving.

a) Discuss extensively on how customers in business market use the products they purchased. (10 marks)

b) Discuss any THREE (3) levels of procurement development in business market. (15 marks)

(Total: 25 marks)

QUESTION 4

Business products often go through stages of technology adoption life cycle that includes the Chasm, Bowling Alley, Tornado, and Main Street phases.

a) Define the Bowling Alley and Tornado phases in technology adoption life cycle. (10 marks)

b) Suggest THREE (3) strategies that business organization must implement during the Tornado phase. (15 marks)

(Total: 25 marks)

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